

**GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS**

**COMPONENT UNIT
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 1992**

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794 - 9255

Prepared by the
Accounting Division

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Letter of Transmittal

Board of Trustees

Administrative Staff

Certificate of Achievement for Excellence in Financial Reporting

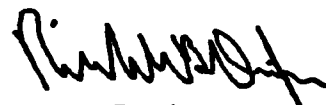
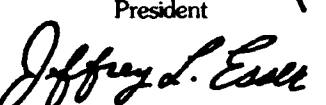
Presented to

General Assembly Retirement System,
State of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1991

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFRs) achieve the highest standards in government accounting and financial reporting.




President

Executive Director



STATE
RETIREMENT
SYSTEMS

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

November 30, 1992

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The component unit annual financial report of the General Assembly Retirement System (System) for the fiscal year ended June 30, 1992 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal and the identification of the administrative organization;
2. The Financial Section which contains the report of the independent public accountants, the financial statements of the System, and the supplementary and additional financial information;
3. The Actuarial Section which contains the report of the Actuary as well as the summary of major actuarial assumptions and certain tables;
4. The Investment Section which contains a summary of the System's investment management approach and selected summary tables, including investment performance;
5. The Statistical Section which contains significant statistical data; and
6. A summary of the System's plan provisions and current legislative changes.

Although the General Assembly Retirement System, State Employees' Retirement System and Judges' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include balance sheet information nor the results of operations of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY AND SERVICES PROVIDED

The General Assembly Retirement System (System) was established as a public employee retirement system (PERS) by state statute on July 8, 1947. The purpose of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries".

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the

Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

In April 1992, Chairman Rock appointed Senator Lechowicz to the System's Board of Trustees to fill the vacancy created by the resignation of Senator D'Arco.

REVENUES

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These income sources totaled \$7,423.3 thousand during the fiscal year ending June 30, 1992, which is a substantial increase from revenue reported for fiscal year 1991, shown as follows:

	1992 (Thousands)	1991 (Thousands)	Increase/(Decrease)	
			(Thousands)	(Percentage)
Contributions:				
Participants	\$ 1,375.9	\$ 1,486.8	\$ (110.9)	(7.5%)
Employer	2,071.0	2,347.8	(276.8)	(11.8%)
Investments	3,976.4	2,170.7	1,805.7	83.2%
Total Revenue	<u>\$ 7,423.3</u>	<u>\$ 6,005.3</u>	<u>\$ 1,418.0</u>	<u>23.6%</u>

As indicated in the total above, a substantial portion of the total revenue is derived from investment income, including the realization of net gains on the sale of investments.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. The payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for 1992 and 1991 are shown below for comparison purposes.

	1992 (Thousands)	1991 (Thousands)	Increase/(Decrease)	
			(Thousands)	(Percentage)
Benefits:				
Retirement annuities	\$ 3,666.6	\$ 3,302.6	\$ 364.0	11.0%
Survivors' annuities	991.5	821.7	169.8	20.7%
Total Benefits Expenses	\$ 4,658.1	\$ 4,124.3	\$ 533.8	12.9%
Refunds	130.0	36.7	93.3	254.2%
Administrative expenses	159.1	144.9	14.2	9.8%
Total Expenses	<u>\$ 4,947.2</u>	<u>\$ 4,305.9</u>	<u>\$ 641.3</u>	<u>14.9%</u>

The increase in benefit payments resulted primarily from (1) a growth in the number of benefits paid, (2) an increase in the average benefit payment amount, and (3) post retirement annuity increases granted each January 1. The \$93.3 thousand increase in refunds resulted primarily from the payment of several death refunds during fiscal year 1992.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Article 22A of the Illinois Pension Code. For the fiscal year ended June 30, 1992, the total investment return on the market value of assets managed by the ISBI was 11.6% compared to 7.0% during the fiscal year ended June 30, 1991.

Total fiscal year 1992 investment income of \$3,976.4 thousand represents a substantial increase of \$1,805.7 thousand (83.2%) over the fiscal year 1991 level of \$2,170.7 thousand mainly due to the realization of substantial net gains on the sale of investments and the strong returns produced by both the fixed income and domestic equity portfolios during the current fiscal year. The System's total investments revenue for fiscal year 1992 and 1991 is shown below for comparison purposes.

	1992 (Thousands)	1991 (Thousands)	Increase/(Decrease) (Thousands)	(Percentage)
Net investments income	\$ 2,187.4	\$ 1,884.6	\$ 302.8	16.1%
Net realized gain on sale of investments	1,749.9	231.2	1,518.7	656.7%
Interest earned on cash balances	39.1	54.9	(15.8)	(28.8%)
Total Investments revenue	<u>\$ 3,976.4</u>	<u>\$ 2,170.7</u>	<u>\$ 1,805.7</u>	<u>83.2%</u>

Income from investments has, over the years, become a greater share of the total revenue of the System. For the fiscal year ended June 30, 1992, income from investments represents 53.6% of total fund revenue.

A detailed discussion of investment performance and strategies are provided in the Investment Section of this report.

FUNDING AND RESERVES

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments.

The actuarial determined liability of the System at June 30, 1992, amounted to \$88.5 million. The fund balances for participant contributions and future operations amounted to \$37.6 million as of the same date. The amount by which the actuarial determined liability exceeds the fund balances is called the "unfunded present value of credited projected benefits." The unfunded present value of credited projected benefits amounts to \$50.9 million and reflects the continuing state policy of appropriating funds at amounts less than the actuarially determined contribution requirement. A detailed discussion of funding is provided in the Actuarial Section of this report.

ECONOMIC CONDITION AND OUTLOOK

Financing the retirement benefits that are being earned is one of the most important issues facing the General Assembly Retirement System. Over the years, a number of organizations have stressed the need for sound funding of the System. In August, 1989, then Governor Thompson signed Senate Bill 95 into law. This Bill provided for the increased funding of the unfunded actuarial liability which has been steadily increasing for the past several years. The amortization period of the unfunded liability was established at 40 years and is scheduled to begin in 1996. In order to defer the cost of a substantial increase in the required employer contributions, a seven year phase-in period was included in the legislation. The seven year phase-in period was to be used to increase the amount of contributions from the current contribution level to that level required for the amortization of the unfunded liability over the 40 year period. However, the state has not appropriated sufficient monies to cover the employer share of retirement contributions during the first three years of the phase-in period.

After completion of another difficult spring legislative session involving the state budget, appropriation bills were passed by the General Assembly in early July, 1992 which maintain the System's funding level as provided for during fiscal year 1992. The legislation provides for the appropriation of approximately \$2.0 million of funds to

the System for fiscal year 1993. While still insufficient to meet the funding mandate passed by the General Assembly in 1989, in view of the severe reductions made to many state funded programs, we must view this result somewhat favorably.

Other legislation introduced and passed during the 1992 spring session of the General Assembly reflects a positive movement to address the underfunding of the five state financed retirement systems. Specifically, Senate Bill 1949 changed the state's Unclaimed Property Act to provide for a holding period of five instead of seven years. This will result in the availability of additional funds for the five state financed retirement systems during fiscal year 1993. As a result, the System should receive an additional \$205,000. In addition, the General Assembly also approved legislation which provides for a continuing appropriation of funds due the five state financed retirement systems from unclaimed property receipts. This legislation has the effect of making the annual appropriation of these funds automatic, not requiring specific action of the General Assembly. While the normal level of financing from unclaimed property receipts is small, enactment of this legislation establishes a very positive precedent.

The Governor has indicated publicly that he considers the underfunding of the System an important issue which he intends to address during his administration. Leaders in the General Assembly have also indicated a similar interest. We are, therefore, optimistic that once the state budget crisis is brought under control, legislation which will establish a solid actuarial funding program will be forthcoming.

Assessing the financial status of any retirement system is a difficult task. The valuation of pension liabilities is a complex procedure requiring the application of actuarial techniques. It is not possible to provide a simple measure of the financial status of a retirement system because no universally accepted measure of the financial status presently exists. By any reasonable actuarial standard, however, the System's present financial condition must be described as precarious due to the continually increasing dollar level of the unfunded liability. The events in the financial markets during the past several years serve as a constant reminder of the fact that no source of revenue can be guaranteed and that the ultimate responsibility for a sound funding policy and the related liability for contributions rests ultimately with the State of Illinois.

MAJOR INITIATIVES

During the past fiscal year, the System completed work on several major projects. Most significant was the development of a new, expanded annual statement for active members and the publication of a tax information brochure specifically designed to explain the tax consequences associated with the System's benefits in accordance with current IRS statutes.

Projects for fiscal year 1993 include the continuation of the development and implementation of an automated benefit calculation system; further expansion of the Field Services program to meet the increased demands of the membership; and the updating of the participant handbook titled "Benefits - Your Rights and Responsibilities" for mailing to the membership during early 1993.

Additionally, in a joint effort, the General Assembly, Judges', and State Employees' Retirement Systems will install a new computer system designed to meet their future data processing needs. The current data processing equipment, used to maintain all active members, beneficiaries, benefit recipients and account records of the three state retirement systems, was originally purchased in the late 1970's and, while it is still functioning, the operating systems are no longer being maintained by the vendor. Consequently, the respective Boards of Trustees as well as the management of the three systems felt that it was critical to proceed with this project during the coming fiscal year.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accrual basis of accounting is used to record the assets, liabilities, revenues and expenses of the General Assembly Retirement System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The General Assembly Retirement System also uses the State

of Illinois, Comptroller's Uniform Statewide Accounting System (CUSAS) as a basis for the preparation of the financial statements. In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a two year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the General Assembly Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law. The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its component unit financial report for the fiscal year ended June 30, 1991. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such component unit financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

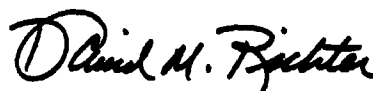
A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the last three consecutive years (fiscal years ended June 30, 1989 through June 30, 1991). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the participants in the State of Illinois. On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,


Michael L. Mory
Executive Secretary


David M. Richter, CPA
Accounting Division

IN MEMORIAM

Senator John Merlo
September 12, 1912 - August 9, 1992

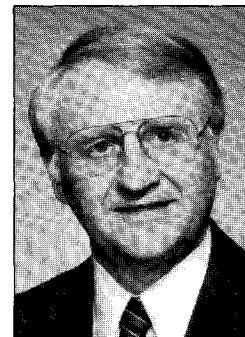
This annual report is dedicated to the memory of Senator John Merlo, who served on the Board of Trustees from 1973-1981 and then as the elected annuitant member and secretary of the Board of Trustees from 1985 until the time of his death. Senator Merlo served 18 years in the state legislature and was a staunch supporter of insurance benefits for retirees. His dedication and service to the Board of Trustees will always be remembered.



SENATOR
Philip J. Rock
Chairman



SENATOR
Thaddeus S. Lechowicz



SENATOR
Calvin W. Schuneman



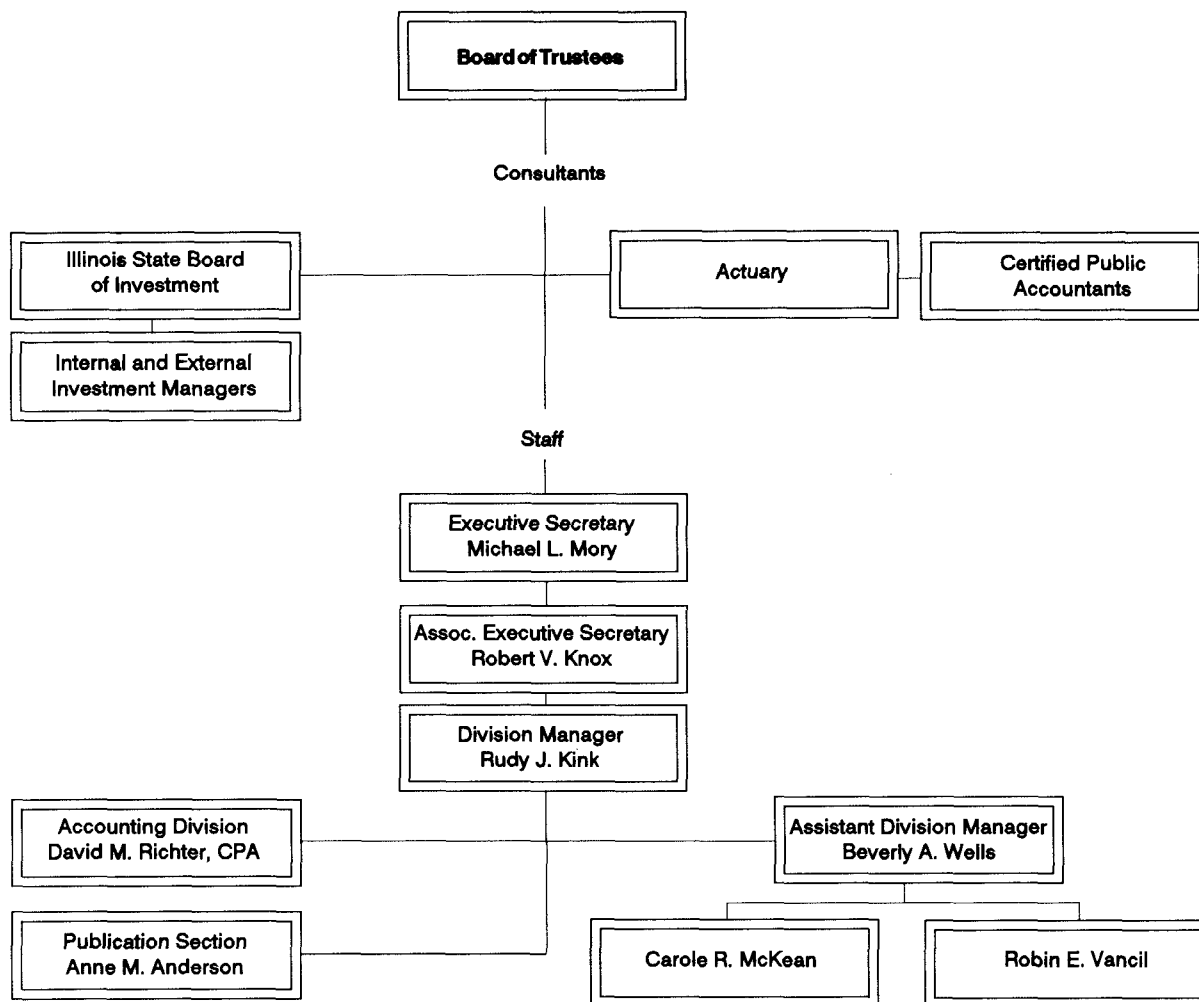
REPRESENTATIVE
David R. Leitch



REPRESENTATIVE
Donald L. Saltsman



REPRESENTATIVE
Sam W. Wolf



FINANCIAL SECTION

Independent Auditor's Report

Financial Statements

Required Supplementary Information

Supplementary Financial Information

Additional Financial Information



McGLADREY & PULLEN

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System, State of Illinois
Springfield, Illinois

We have audited, as special assistant auditors for the Illinois Auditor General, the accompanying balance sheets of the General Assembly Retirement System, State of Illinois as of June 30, 1992 and 1991, and the related statements of revenue, expenses and changes in fund balance for the years then ended. These component unit financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these component unit financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the General Assembly Retirement System, State of Illinois as of June 30, 1992 and 1991, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the component unit financial statements as of and for the years ended June 30, 1992 and 1991, taken as a whole. The supplementary information included on pages 23 through 27 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information as of and for the years ended June 30, 1992 and 1991, has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

McGladrey & Pullen

Springfield, Illinois
October 15, 1992

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Balance Sheets

June 30, 1992 and 1991

	1992	1991
Assets		
Cash	\$ 1,079,624	\$ 728,538
Receivables:		
Participants' contributions	\$ 1,112	\$ 11,624
Refundable annuities	-	2,680
Interest on cash balances	3,914	931
	\$ 5,026	\$ 15,235
Investments - held in the Illinois State Board of Investment Commingled Fund, at cost (Market value: 1992, \$41,044,777 1991, \$38,386,470) (Note 3)	\$ 36,627,373	\$ 34,440,112
Equipment, net of accumulated depreciation (Note 8)	16,163	19,082
Total Assets	\$ 37,728,186	\$ 35,202,967
Liabilities and Fund Balance		
Benefits payable	\$ 37,969	\$ 929
Refunds payable	-	8,516
Administrative expenses payable (Note 7)	13,795	13,573
Due to Judges' Retirement System of Illinois	42,804	37,856
Participants' Deferred Service Credit Accounts	15,400	-
Total Liabilities	\$ 109,968	\$ 60,874
Fund Balance		
Actuarial present value of credited projected benefits (Note 5)	\$ 88,537,329	\$ 84,468,429
Less unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(50,919,111)	(49,326,336)
Total Fund Balance (Note 10)	\$ 37,618,218	\$ 35,142,093
Total Liabilities and Fund Balance	\$ 37,728,186	\$ 35,202,967

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Revenue, Expenses and Changes in Fund Balance
Years ended June 30, 1992 and 1991

	1992	1991
Revenue:		
Contributions:		
Participants	\$ 1,375,885	\$ 1,486,815
Employer	2,071,010	2,347,761
Total Contributions revenue	<u>\$ 3,446,895</u>	<u>\$ 3,834,576</u>
Investments:		
Net investments income	\$ 2,187,370	\$ 1,884,565
Interest earned on cash balances	39,158	54,930
Net realized gain on sale of investments	1,749,891	231,245
Total Investments revenue	<u>\$ 3,976,419</u>	<u>\$ 2,170,740</u>
Total Revenue	<u>\$ 7,423,314</u>	<u>\$ 6,005,316</u>
Expenses:		
Benefits:		
Retirement annuities	\$ 3,666,601	\$ 3,302,545
Survivors' annuities	991,533	821,705
Total Benefits expenses	<u>\$ 4,658,134</u>	<u>\$ 4,124,250</u>
Refunds	129,978	36,742
Administrative (Note 7)	159,077	144,908
Total Expenses	<u>\$ 4,947,189</u>	<u>\$ 4,305,900</u>
Excess of Revenue over Expenses	<u>\$ 2,476,125</u>	<u>\$ 1,699,416</u>
Fund Balance at beginning of year	<u>\$ 35,142,093</u>	<u>\$ 33,442,677</u>
Fund Balance at end of year	<u>\$ 37,618,218</u>	<u>\$ 35,142,093</u>

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements
June 30, 1992 and 1991**(1) Reporting Entity**

The General Assembly Retirement System (System) is a component unit of the State of Illinois. The System is considered part of the State of Illinois financial reporting entity and is included in the state's comprehensive annual financial report as a pension trust fund.

The System has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of the System should be included within its financial reporting entity. The criteria include, but are not limited to, whether the System exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based upon the above criteria, there were no other state agencies, boards or commissions which were required to be included within the financial reporting entity.

(2) Plan Description

The System is the administrator of a single-employer public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

At June 30, 1992 and 1991, the System membership consisted of:

	<u>1992</u>	<u>1991</u>
Retirees and beneficiaries		
currently receiving benefits:		
Retirement annuities	204	200
Survivors' annuities	128	122
Reversionary annuities	<u>3</u>	<u>3</u>
	335	325
Inactive participants entitled		
to benefits but not yet		
receiving them	<u>77</u>	<u>79</u>
Total	<u>412</u>	<u>404</u>
Current Participants:		
Vested	153	163
Nonvested	<u>37</u>	<u>32</u>
Total	<u>190</u>	<u>195</u>

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System.

(a) Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

(b) Contributions

Participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11 1/2% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
<u>11.5%</u>	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service. The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Article 2 of the Illinois Pension Code.

(c) Benefits

The General Assembly Retirement System, State of Illinois, was established in 1947 as a component unit of the State of Illinois and is governed by Chapter 108-1/2, Article 2 of the Illinois Revised Statutes.

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62. The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the participants' final rate of salary.

3.0% for each of the first 4 years of service, plus
3.5% for each of the next 2 years of service, plus
4.0% for each of the next 2 years of service, plus
4.5% for each of the next 4 years of service, plus
5.0% for each year of service in excess of 12 years

The maximum retirement annuity payable is 85% of the final rate of salary.

(3) Summary of Significant Accounting Policies and Plan Asset Matters

(a) Basis of Accounting

The financial transactions of the System are recorded on the accrual basis of accounting and in conformity with generally accepted accounting principles. Participant and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

Investments are managed by the ISBI pursuant to Article 22A of the Illinois Pension Code and are maintained in the ISBI Commingled Fund. Such investments are valued at the cost of the System's units of participation in the ISBI Commingled Fund. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the

last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution. Investment income is recognized when earned.

The investment authority of the ISBI is provided in Illinois Revised Statutes Chapter 108-1/2, Article 22A-112. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake.

Governmental Accounting Standards Board (GASB) Statement No. 3 entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires certain financial statement disclosure of deposits and investments, such as the disclosure of carrying amounts by type of investment and classification into one of three categories based upon credit risk. Investments in pools managed by other governmental agencies, in general, are to be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system.

Listed below are the ISBI investments, as categorized in the ISBI annual financial report. They are categorized to indicate the level of risk assumed by the ISBI Board at year end. Category I includes investments that are insured or registered or for which the securities are held by the master custodian in the ISBI Board's name. Category II includes uninsured and unregistered investments for which the securities are held by the master custodian in the ISBI Board's name. Category III includes uninsured and unregistered investments for which the securities are held by an agent of the master custodian but not in the ISBI Board's name.

At June 30, 1992, the ISBI Board's deposits and investments were categorized as follows:

	Category I	Category II	Category III	Cost	Market Value
U.S. Government & Agency					
Obligations	\$ 543,839,646	\$ -	\$ -	\$ 543,839,646	\$ 571,466,100
Foreign Obligations	27,315,635	-	-	27,315,635	28,117,356
Foreign Equity Securities	223,701,749	-	-	223,701,749	221,817,510
Corporate Obligations	750,688,012	-	-	750,688,012	786,650,074
Convertible Bonds	69,310,839	-	-	69,310,839	71,920,483
Common Stock &					
Equity Funds	1,137,385,198	-	-	1,137,385,198	1,404,854,602
Convertible Preferred Stock	16,388,418	-	-	16,388,418	18,796,336
Preferred Stock	10,352,924	-	-	10,352,924	5,527,737
Money Market Instruments	231,800,369	-	-	231,800,369	231,088,936
SUBTOTAL	<u>\$ 3,010,782,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,010,782,790</u>	<u>\$ 3,340,239,134</u>
Real Estate Pooled Funds				317,107,108	325,963,498
Non-Marketable Securities				128,411,196	178,844,300
Other assets, less liabilities				20,886,434	20,886,434
TOTAL				<u>\$ 3,477,187,528</u>	<u>\$ 3,865,933,366</u>

The ISBI Board participates in a securities lending program whereby securities are loaned to brokers and, in return, the ISBI Board receives collateral of amounts slightly in excess of the market value of securities

loaned. Collateral consists solely of cash, letters of credit, commercial paper and government securities. As of June 30, 1992 and 1991, the ISBI Board had outstanding loaned investment securities having a market value of approximately \$344,993,007 and \$313,109,467, respectively, against which it had received collateral of approximately \$352,913,054 and \$329,552,739, respectively.

The System owns 1.0% of the ISBI Commingled Fund as of June 30, 1992.

(c) Fixed Assets

Expenditures for fixed assets are capitalized and depreciated over their estimated useful lives.

(d) Actuarial Experience Review

In accordance with Illinois Revised Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was performed as of June 30, 1992.

(e) Administrative Expenses

Expenses related to the administration of the System are budgeted and approved by the System's Board of Trustees. Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 1992 and 1991, were \$133,673 and \$129,272, respectively.

(4) Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of participant service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the General Assembly Retirement System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is the same as the actuarial funding method used to determine contributions to the System discussed in Note 5.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1992. Significant actuarial assumptions used include (a) rates of return on the investment of present and future assets of 8.0% per year (consisting of an inflation component of 4.5% per year and a real rate of return component of 3.5% per year), compounded annually, (b) projected salary increase of 6.5% per year (consisting of a general component of 5% per year, 4.5% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, (c) mortality rates based on the UP-1984 Mortality Table, (d) assumed age at retirement ranging from 55 to 70, based upon recent history with the System, (e) 75% of participants are assumed to be married, (f) the age of the spouse is assumed to be 4 years younger than the age of the participant, and (g) termination rates based upon the recent experience of the System.

At June 30, 1992 and 1991, the unfunded pension benefit obligation was \$50,919,111 and \$49,326,336 as follows:

	1992	1991
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits, including inactive participants	\$ 56,412,928	\$ 51,349,076
Current Participants:		
Accumulated participant contributions	7,906,723	7,284,025
Employer-financed vested	14,375,887	17,705,200
Employer-financed nonvested	9,841,791	8,130,128
Total Pension benefit obligation	\$ 88,537,329	\$ 84,468,429
Net assets available for benefits, at cost (market value at June 30, 1992 \$42,035,622; June 30, 1991 \$39,088,451)	37,618,218	35,142,093
Unfunded pension benefit obligation	<u>\$ 50,919,111</u>	<u>\$ 49,326,336</u>

There were no benefit changes enacted during fiscal years 1992 or 1991 having a significant impact on the actuarial present value of credited projected benefits and the related unfunded actuarial liability.

The System's actuarial consultant performed an experience review for the five year period ending June 30, 1992. Based upon the results of the review, several changes were made to the actuarial assumptions. These changes had the effect of decreasing the pension benefit obligation and the related unfunded pension obligation by \$1,984,777, and were primarily the result of adjustments to expected salary increases, termination rates and retirement rates.

(5) Contributions Required and Contributions Made

Public Act 86-0273, which was signed into law on August 23, 1989, enacted a funding policy under which, starting with fiscal year 1990, the employer contributions made by the State of Illinois were to be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state employer contribution would be an amount that, when added to other sources of employer contributions, is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method. The same actuarial assumptions were used to determine the contribution requirements as are used to compute the pension benefit obligation discussed in Note 4. For fiscal years prior to 1990, the required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been actuarially determined in accordance with the funding policy legislated by Public Act 86-0273. The state, however, has never funded the System in accordance with the funding policy established by law.

It has been interpreted that the laws of the State of Illinois regarding state finance provide for the Governor and the state legislature to have specific authority to reduce or increase monies appropriated for the employer share of retirement contributions regardless of the rate certified by the Board of Trustees.

The total amount of actuarially determined State of Illinois employer contributions required for the fiscal year ended June 30, 1992 amounted to \$2,475,000. However, the state's employer contributions were not made in accordance with the actuarially determined contribution requirements for fiscal year 1992. The total amount of employer contributions made by the state was \$1,965,600 and consisted of (a) \$1,602,923 normal cost and (b) \$362,677 amortization of the unfunded actuarial accrued liability.

Schedule of Contributions Required and Contributions Made

	1992	1991	1990	1989	1988
Covered Payroll	\$ 8,432,000	\$ 8,238,709	\$ 7,254,510	\$ 6,907,676	\$ 6,873,250
Required Employer Contributions	\$ 2,475,000	\$ 2,428,771	\$ 2,376,310	\$ 3,514,623	\$ 3,273,090
Actual Employer Contributions	\$ 1,965,600	\$ 2,072,600	\$ 2,072,600	\$ 1,997,500	\$ 1,970,000
Actual Employer Contribution Rate	23.3%	25.2%	28.6%	28.9%	28.7%
Board of Trustees Recommended Contribution Rate	29.4%	29.5%	32.8%	50.9%	47.6%
Participant Contributions	\$ 1,375,885	\$ 1,486,815	\$ 1,002,258	\$ 869,635	\$ 796,393
Participant Contribution Rate	16.3%	18.0%	13.8%	12.6%	11.6%

(6) Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 23-24.

(7) Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 1992 and 1991 is as follows:

	1992	1991
Personal services	\$ 87,672	\$ 86,396
Employee retirement contributions paid by employer	1,755	-
Employer retirement contributions	4,158	4,133
Social Security contributions	6,419	6,385
Group insurance	9,194	5,147
Contractual services	35,503	23,369
Travel	2,293	1,717
Printing	2,528	3,615
Commodities	361	1,251
Telecommunications	848	1,042
Electronic Data Processing	4,376	5,607
Depreciation	3,615	3,044
Other	355	3,202
Total	<u>\$ 159,077</u>	<u>\$ 144,908</u>

(8) Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

A summary of the changes in fixed assets for fiscal years 1992 and 1991 is as follows:

	1992			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 26,760	\$ 696	\$ -	\$ 27,456
Accumulated Depreciation	(7,678)	(3,615)	-	(11,293)
Equipment, net	<u>\$ 19,082</u>	<u>\$ (2,919)</u>	<u>\$ -</u>	<u>\$ 16,163</u>
	1991			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 22,872	\$ 10,800	\$ (6,912)	\$ 26,760
Accumulated Depreciation	(5,149)	(3,044)	515	(7,678)
Equipment, net	<u>\$ 17,723</u>	<u>\$ 7,756</u>	<u>\$ (6,397)</u>	<u>\$ 19,082</u>

(9) Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after January 1, 1984 upon termination of employment. The value of accrued compensated absences as of June 30, 1992 and 1991 was \$11,293 and \$10,938, respectively.

(10) Analysis of Changes in Fund Balances - Reserved

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

(a) Reserve for Participants' Contributions -

This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

(b) Reserve for Future Operations -

This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS
Statements of Changes in Fund Balances (Reserved)
Years ended June 30, 1992 and 1991

	<u>Reserve for Participants' Contributions</u>	<u>Future Operations</u>	<u>Total Fund Balance</u>
Balance at June 30, 1990	\$ 8,237,231	\$ 25,205,446	\$ 33,442,677
Add (deduct):			
Excess (deficiency) of revenue over expenses	1,258,921	440,495	1,699,416
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(536,272)	536,272	-
Balance at June 30, 1991	\$ 8,959,880	\$ 26,182,213	\$ 35,142,093
Add (deduct):			
Excess (deficiency) of revenue over expenses	1,302,932	1,173,193	2,476,125
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(470,007)	470,007	-
Transfer to reclassify prior years interest and employer contributions paid by participants	305,207	(305,207)	-
Balance at June 30, 1992	<u>\$ 10,098,012</u>	<u>\$ 27,520,206</u>	<u>\$ 37,618,218</u>

(11) Pension Disclosure

All of the System's full-time employees who are not eligible for another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state agencies, including the System, participate on a cost-sharing basis. The financial position and results of operations of the SERS for FY1992 and FY1991 and the related GASB Statement 5 employer disclosures are included in the State's Comprehensive Annual Financial Report for the years ended June 30, 1992 and 1991, respectively. The SERS also issues a separate component unit financial report (CUFR).

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, is included as an integral part of the SERS CUFR. Also included is a discussion of employer and employee obligations to contribute, the authority under which those obligations are established, as well as an explanation of the pension benefit obligation. The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits.

The pension benefit obligation at June 30, 1992 and June 30, 1991 for the SERS as a whole, determined through an actuarial valuation at that date was \$5,600.8 million and \$4,949.9 million, respectively. The SERS net assets available for benefits on these respective dates (valued at cost) were \$3,278.2 million and \$2,981.4 million, leaving unfunded pension benefit obligations of \$2,322.6 million and \$1,968.5 million. The System's FY1992 and FY1991 contribution requirement represented .004% and .003%, respectively of total contributions required of all state agency/department employers participating in the SERS.

Ten-year historical trend information designed to provide information about the SERS progress made in accumulating sufficient assets to pay benefits when due is presented in its separately issued CUFRs for the years ended June 30, 1992 and June 30, 1991, respectively.

Pertinent financial information relating to the System's participation in SERS is summarized as follows:

The System's covered payrolls for FY1992 and FY1991 were \$87.7 thousand and \$86.4 thousand and the payrolls for all System employees were \$87.7 thousand and \$86.4 thousand, respectively.

The System's (i.e., the employers') actuarially determined contribution requirements for FY1992 and FY1991 were \$4.2 thousand and \$4.1 thousand, respectively, or 4.7% and 4.7% of the System's covered payrolls. For FY1992, the System's and employee contributions actually made were \$4.2 thousand and \$3.5 thousand, respectively, which represents 4.7% and 4.0%, respectively, of the current year covered payroll. For FY1991, the System's and employee contributions actually made were \$4.1 thousand and \$3.3 thousand, respectively, which represents 4.7% and 3.8%, respectively, of the covered payroll.

In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the State to annuitants who are former State employees. This includes annuitants of the System. Substantially all State employees including the System's employees may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 1992. However, the cost for the State as a whole for all State agencies/departments for dependent health, dental and life insurance for annuitants and their dependents approximated \$119.8 million for fiscal year 1992. Cost information by individual State agency is not available. Payments are made on a pay as you go basis. The System is not the administrator of any of the other post employment benefits described above.

Analysis of Funding Progress

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation**	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a % of Covered Payroll (4) ÷ (5)
1987	\$ 29,140,876	\$ 60,635,325	48.1%	\$ 31,494,449	\$ 6,643,710	474.0%
1988	30,106,386	64,160,481	46.9%	34,054,095	6,873,250	495.5%
1989	31,677,506	62,834,957	50.4%	31,157,451	6,907,676	451.1%
1990	33,442,677	78,623,637	42.5%	45,180,960	7,254,510	622.8%
1991	35,142,093	84,468,429	41.6%	49,326,336	8,238,709	598.7%
1992	37,618,218	88,537,329	42.5%	50,919,111	8,432,000	603.9%

* At cost

** The pension benefit obligation information is not available for fiscal years prior to 1987.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the public employees' retirement system (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Revenues by Source and Expenses by Type

Revenues by Source

Fiscal Year Ended June 30	Participants' Contributions	Employer Contributions			Income from Investments	Total
		State of Illinois	Other Sources	Total		
1983	\$ 786,705	\$ 2,061,100	\$ 58,181	\$ 2,119,281	\$ 2,877,001	\$ 5,782,987
1984	658,899	1,524,800	-	1,524,800	2,204,477	4,388,176
1985	679,000	2,215,800	2,932	2,218,732	1,516,230	4,413,962
1986	1,059,024	2,216,200	125,212	2,341,412	3,416,960	6,817,396
1987	767,483	2,214,100	213	2,214,313	3,064,668	6,046,464
1988	796,393	1,970,000	-	1,970,000	1,933,098	4,699,491
1989	869,635	1,997,500	-	1,997,500	2,555,317	5,422,452
1990	1,002,258	2,072,600	74,401	2,147,001	2,665,883	5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314

Expenses by Type

Fiscal Year Ended June 30	Benefits	Refunds	Administrative Expenses	Total
1983	\$ 2,389,904	\$ 185,106	\$ 72,547	\$ 2,647,557
1984	2,712,913	71,902	76,642	2,861,457
1985	2,955,395	118,711	79,401	3,153,507
1986	3,200,212	42,316	86,763	3,329,291
1987	3,461,212	80,202	103,150	3,644,564
1988	3,618,087	16,717	99,177	3,733,981
1989	3,682,411	55,660	113,261	3,851,332
1990	3,880,692	42,427	126,852	4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189

Analysis of Employer Contributions - Fiscal Year 1988 through 1992

Fiscal Year (A)	(1)	(2)	(3)	(4)	(5)	(6)
	Covered Payroll	State of Illinois Employer Contributions Required (B)	State of Illinois Employer Contributions Required as a % of Covered Payroll (2) ÷ (1)	State of Illinois Employer Contributions Received	State of Illinois Employer Contributions Received as a % of Covered Payroll (4) ÷ (1)	Contributions Required in Excess of Contributions Received (2) - (4)
1988	\$ 6,873,250	\$ 3,273,090	47.6%	\$ 1,970,000	28.7%	\$ 1,303,090
1989	6,907,676	3,514,623	50.9%	1,997,500	28.9%	1,517,123
1990	7,254,510	2,376,310	32.8%	2,072,600	28.6%	303,710
1991	8,238,709	2,428,771	29.5%	2,072,600	25.2%	356,171
1992	8,432,000	2,475,000	29.4%	1,965,600	23.3%	509,400

(A) = Prior to fiscal year 1988, the Actuary did not determine an "Employer Contribution Required" amount.

(B) = For fiscal year 1988 and 1989, the State of Illinois required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been computed in accordance with Public Act 86-0273 which was signed into law on August 23, 1989. Public Act 86-0273 enacted a funding plan under which, starting with fiscal year 1990, the state's contribution shall be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state contribution shall be an amount that is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

Schedule of Employer Contributions as a Percentage of Covered Payroll

Fiscal Year	Covered Payroll	State of Illinois Employer Contributions Received	State of Illinois Employer Contributions Received as a % of Covered Payroll
1983	\$ 5,545,500	\$ 2,061,100	37.2%
1984	5,524,500	1,524,800	27.6%
1985	5,985,000	2,215,800	37.0%
1986	6,480,500	2,216,200	34.2%
1987	6,643,710	2,214,100	33.3%
1988	6,873,250	1,970,000	28.7%
1989	6,907,676	1,997,500	28.9%
1990	7,254,510	2,072,600	28.6%
1991	8,238,709	2,072,600	25.2%
1992	8,432,000	1,965,600	23.3%

SUMMARY OF REVENUES BY SOURCE
Years Ended June 30, 1992 and 1991

	<u>1992</u>	<u>1991</u>
Contributions:		
Participants	\$ 1,149,170	\$ 1,067,630
Interest paid by participants	117,141	136,372
Repayments of contributions refunded	12,250	12,075
Transferred from reciprocating systems	97,324	270,738
Total participants contributions	<u>\$ 1,375,885</u>	<u>\$ 1,486,815</u>
General Revenue Fund	\$ 1,911,800	\$ 1,911,800
State Pension Fund	53,800	160,800
Paid by reciprocating systems	95,206	275,161
Paid by participants	10,204	-
Total employer contributions	<u>\$ 2,071,010</u>	<u>\$ 2,347,761</u>
Total Contributions revenue	<u>\$ 3,446,895</u>	<u>\$ 3,834,576</u>
Investments:		
Net investments income	\$ 2,187,370	\$ 1,884,565
Interest earned on cash balances	39,158	54,930
Net realized gain on sale of investments	1,749,891	231,245
Total Investments revenue	<u>\$ 3,976,419</u>	<u>\$ 2,170,740</u>
Total Revenue	<u>\$ 7,423,314</u>	<u>\$ 6,005,316</u>

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 1992 and 1991

	<u>1992</u>	<u>1991</u>
Cash balance, beginning of year	<u>\$ 728,538</u>	<u>\$ 913,283</u>
Receipts:		
Participant contributions	\$ 1,325,897	\$ 1,451,231
Employer contributions:		
General Revenue Fund	1,911,800	1,911,800
State Pension Fund	53,800	160,800
Paid by reciprocating systems	98,390	271,977
Paid by participants	10,204	-
Interest income on cash balances	36,175	59,510
Participants' deferred service credit payments	72,717	32,501
Cancellation of annuities	7,267	7,861
Transfers from Illinois State Board of Investment	2,175,000	1,250,000
Total cash receipts	<u>\$ 5,691,250</u>	<u>\$ 5,145,680</u>
Disbursements:		
Benefit payments:		
Retirement annuities	\$ 3,631,414	\$ 3,307,654
Survivors' annuities	994,268	822,629
Refunds	138,494	30,739
Administrative expenses	150,988	144,403
Transfers to Illinois State Board of Investment	425,000	1,025,000
Total cash disbursements	<u>\$ 5,340,164</u>	<u>\$ 5,330,425</u>
Cash balance, end of year	<u>\$ 1,079,624</u>	<u>\$ 728,538</u>

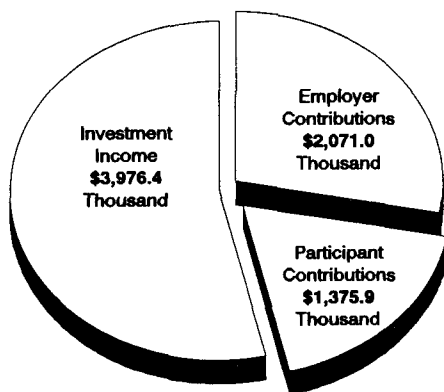
ADDITIONAL FINANCIAL INFORMATION

REVENUES

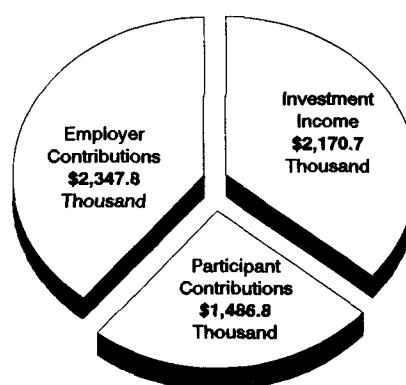
Total revenue of \$7,423.3 thousand for FY 1992 was a \$1418.0 thousand increase from the FY 1991 level of \$6,005.3 thousand. Net income from investments and net realized gains on sales of investments were greater than the prior fiscal year by \$1,805.7 thousand primarily due to an increase in the net realized gains on sale of investments. Employer contributions show a decrease of 11.8% (\$276.8 thousand) and participant contributions were \$110.9 thousand (7.5%) less than the FY 1991 level primarily due to fewer participants electing to transfer service credits from reciprocating systems during FY 1992.

Revenue Source	FY 92 (Thousands)	FY 91 (Thousands)	Increase/(Decrease)	
			Amount	Percentage
Participant Contributions	\$ 1,375.9	\$ 1,486.8	\$ (110.9)	(7.5%)
Employer Contributions	2,071.0	2,347.8	(276.8)	(11.8%)
Investment Income	3,976.4	2,170.7	1,805.7	83.2%
Total	<u>\$ 7,423.3</u>	<u>\$ 6,005.3</u>	<u>\$ 1,418.0</u>	<u>23.6%</u>

REVENUES BY SOURCE 1992
TOTAL REVENUES
\$7,423.3 Thousand



REVENUES BY SOURCE 1991
TOTAL REVENUES
\$6,005.3 Thousand



Gross investment income for 1992 of \$2,321,618, less the Investment Board's administrative expenses of \$134,248 resulted in net investment income of \$2,187,370. This amount, when combined with the net realized gain on sale of investments of \$1,749,891, provided net revenue from investments of \$3,937,261. Net cash transfers from the Illinois State Board of Investment were \$1,750,000 during FY 1992. The balance of investments at cost increased by \$2,187,261 from June 30, 1991 thru June 30, 1992. The following table shows a comparison of investment operations for FY 1992 and FY 1991.

	1992	1991	Increase/(Decrease)	
			Amount	Percentage
Balance at beginning of year, at cost	\$ 34,440,112	\$ 32,549,302	\$ 1,890,810	5.8%
Cash transferred from ISBI (net) ..	(1,750,000)	(225,000)	1,525,000	677.8%
Investment income:				
Commingled Fund income	\$ 2,321,618	\$ 2,010,975	\$ 310,643	15.4%
Less Expenses	(134,248)	(126,410)	7,838	6.2%
Net investment income	<u>\$ 2,187,370</u>	<u>\$ 1,884,565</u>	<u>\$ 302,805</u>	<u>16.1%</u>
Distributed Net Realized Gain on Sale of Investments	<u>\$ 1,749,891</u>	<u>\$ 231,245</u>	<u>\$ 1,518,646</u>	<u>656.7%</u>
Balance at end of year, at cost	<u>\$ 36,627,373</u>	<u>\$ 34,440,112</u>	<u>\$ 2,187,261</u>	<u>6.4%</u>
Market value	<u>\$ 41,044,777</u>	<u>\$ 38,386,470</u>	<u>\$ 2,658,307</u>	<u>6.9%</u>

In addition, interest on the average balance in the System's account for FY 1992 was \$39,158 compared to \$54,930 during FY 1991 primarily due to lower average interest yields during FY 1992.

ADDITIONAL FINANCIAL INFORMATION

EXPENSES

The number of participants receiving retirement annuities on June 30, 1992 was 2.0% higher than the June 30, 1991 level while the dollar cost of these annuities increased by 11.0% over the FY 1991 level. Higher salaries for current retirees and post retirement increases granted each year resulted in retirement annuity costs rising at a more rapid pace than the number of annuitants. Survivor annuities increased by 4.9% in number with a 20.7% increase in dollar costs. Higher earned retirement annuities of current year deceased annuitants/participants and annual increases granted each January 1 attributed to the increase in survivors annuity cost. The dollar amount of refunds increased by \$93.3 thousand (254.2%) over the FY 1991 level of \$36.7 thousand primarily due to the payment of several death refunds during FY 1992.

	FY 92 (Thousands)	FY 91 (Thousands)	Increase/(Decrease)	
			Amount	Percentage
Retirement annuities	\$ 3,666.6	\$ 3,302.6	\$ 364.0	11.0%
Survivors' annuities.....	991.5	821.7	169.8	20.7%
Refunds	130.0	36.7	93.3	254.2%
Administrative expense	159.1	144.9	14.2	9.8%
TOTAL EXPENSES	\$ 4,947.2	\$ 4,305.9	\$ 641.3	14.9%

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1991	New Claims Processed During FY 92	Benefits Ceased During FY 92	FY Ended June 30, 1992	Increase/(Decrease)	
					Amount	Percentage
Retirement.....	200	12	8	204	4	2.0%
Survivors	122	13	7	128	6	4.9%
Reversionary	3	-	-	3	-	0.0%
TOTALS	325	25	15	335	10	3.1%

RESERVES

As of June 30, 1992, the funds available for payment of current and future benefits were \$37,618.2 thousand as shown in the following schedule:

	FY 92 (Thousands)	FY 91 (Thousands)	Increase/ (Decrease)
Assets			
Cash	\$ 1,079.6	\$ 728.5	\$ 351.1
Receivables (less payables)	(105.0)	(45.6)	(59.4)
Investments.....	36,627.4	34,440.1	2,187.3
Fixed Assets (net of accumulated depreciation)	16.2	19.1	(2.9)
NET ASSETS	\$ 37,618.2	\$ 35,142.1	\$ 2,476.1

Total System revenues for FY 1992 of \$7,423.3 thousand less expenditures of \$4,947.2 thousand resulted in a net increase to reserves of \$2,476.1 thousand.

	FY92 (Thousands)	FY91 (Thousands)	Increase/ (Decrease)
Reserves			
Participant Contributions	\$ 10,098.0	\$ 8,959.9	\$ 1,138.1
Future Operations	27,520.2	26,182.2	1,338.0
TOTAL RESERVES	\$ 37,618.2	\$ 35,142.1	\$ 2,476.1

Participant contributions transferred to the Reserve for Future Operations due to retirement or death of active participants during the year amounted to \$470.0 thousand.

ACTUARIAL SECTION

Actuary's Report

Introduction

Actuarial Cost Method and Summary of Major Actuarial Assumptions

Valuation Results

Short-term Solvency Test

Analysis of Funding

Reconciliation of Unfunded Actuarial Liability

Beneficiaries Added to and Removed From Rolls

Schedule of Active Member Valuation Data

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October 2, 1992

Board of Trustees and Executive Secretary
General Assembly Retirement System, State of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

I have completed the annual actuarial valuation of the General Assembly Retirement System as of June 30, 1992. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the last actuarial valuation, House Bill 971 which was signed into law on November 19, 1991 as Public Act 87-794 made the following changes in the provisions of the system: (1) a participant may obtain creditable service for up to 2 years of military service that need not have followed service as a member of the General Assembly and need not have been served during wartime provided the participant makes certain contributions to the system; (2) the initial automatic increase in retirement annuity is payable in the month of January or July next following the first anniversary of retirement; (3) a child's annuity shall be payable so long as the child is under age 22 and a full time student. I have estimated that these changes have a relatively minor impact on the system's total actuarial liability.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend as a result of such investigation the actuarial assumptions to be adopted. As the actuary, I have completed such an experience analysis for the five year period 1987-1992. Based on this experience analysis, I have made some changes in the actuarial assumptions used for the June 30, 1992 actuarial valuation from the actuarial assumptions used for the June 30, 1991 valuation. I have estimated that the changes made in the actuarial assumptions used for the June 30, 1992 actuarial valuation had the impact of decreasing the total actuarial liability by \$1,984,777. I believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

The financing objective of the system is to accumulate assets equal to the value of the system's total actuarial liability determined under the projected unit credit actuarial cost method. Contribution rates have been determined providing for the normal cost plus an amortization of the unfunded actuarial liability as required under Public Act 86-0273. Normal cost rates are expected to remain constant as a percent of payroll, while the amortization contribution rate will increase in equal annual increments until the 1996 fiscal year is reached. The total contribution rate can thus be expected to rise gradually until fiscal year 1996, remain level until fiscal year 2035, and then drop to a constant normal cost rate.

Employer contributions in recent years have been less than that required under this financing plan. For fiscal year 1993, employer contributions are expected to fall \$321,000 short of the amount required under Public Act 86-0273.

The asset values used for the valuation were based on the asset information reported by the system. For purposes of the valuation, the book value of the assets of the system (assets valued at cost), less the amount of liabilities, was used.

In my opinion, the following schedule of valuation results fairly presents the financial condition of the General Assembly Retirement System as of June 30, 1992. The contribution rates determined are in compliance with the provisions of the funding plan enacted under Public Act 86-0273.

Respectfully submitted,



Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 90-3402

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount required to be paid to the System by the State during the succeeding fiscal year. The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements, pursuant to Article 2-146 of the Illinois Revised Statutes.

The state's policy on pension funding has been based on variations of the pay as you go approach. As a result, the System has not received the minimum actuarially determined employer contribution amount in recent years.

The underfunding of employer contributions places undue pressure on one of the other major sources of revenue to the System, namely income from investments, to consistently provide an increasing percentage of total fund revenue. In recent years, the higher than assumed rate of return on investments distorts the fact that employer contributions have not kept pace with prior, current, and future estimated benefit costs.

In an attempt to address the pension funding dilemma, the state legislature passed Public Act 86-0273 in August, 1989, which provided for a standardized funding method (projected unit credit) and a specified term for the amortization of prior unfunded pension costs (40 years, level percentage of payroll). There is a seven-year phase in period of the required employer contributions to attain the 40-year amortization level. The phase in period began in fiscal year 1990, however, the state has not adequately funded the System with the actuarially required contributions, during the first three years of the phase-in period.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit cost method. Under this method, the actuarial liability is the actuarial present value of that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized over a 40 year period as a level percentage of payroll.

A description of the actuarial assumptions utilized for fiscal year 1992 and fiscal year 1991 follows:

Mortality Rates: The UP-1984 Mortality Table was used for the valuation.

Termination Rates: Termination rates based on the recent experience of the System were used. The following termination rates were used:

FY 1992		FY 1991	
Age	Rate of Termination	Age	Rate of Termination
20-54	.060	20-54	.080
55 and over	.000	55 and over	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used.

The following is a sample of the disability rates that were used for the valuation:

<u>Age</u>	<u>Rate of Disability</u>
30	.00057
35	.00064
40	.00083
45	.00115
50	.00170
55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 70 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

FY 1992		FY 1991	
<u>Age</u>	<u>Rate of Retirement</u>	<u>Age</u>	<u>Rate of Retirement</u>
55	.14	55	.20
60	.04	60	.10
65	.04	65	.10
70	1.00	70	1.00

The above retirement rates are equivalent to an average retirement age of approximately 63 for FY 1992 and 62 for FY 1991.

Salary Increase: For FY 1992, a salary increase assumption of 6.5% per year (consisting of a general increase component of 5% per year, 4.5% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, was used.

For FY 1991, a salary increase assumption of 6.0% per year (consisting of an inflation component of 5% per year and a seniority/merit component of 1% per year), compounded annually, was used.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.5% per year and a real rate of return component of 3.5% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

VALUATION RESULTS

	<u>June 30, 1992</u>	<u>June 30, 1991</u>
Actuarial Liability (Reserves)		
For Active Participants:		
Basic retirement annuity	\$ 17,322,363	\$ 17,607,031
Annual increase in retirement annuity	4,631,926	4,364,689
Pre-retirement survivors' annuity	2,550,182	1,679,080
Post-retirement survivors' annuity	3,019,050	3,613,281
Withdrawal benefits	4,416,157	5,676,819
Disability benefits	184,723	178,453
Total	<u>\$ 32,124,401</u>	<u>\$ 33,119,353</u>
For Participants Receiving Benefits:		
Retirement annuities	\$ 40,231,490	\$ 37,551,741
Survivor annuities	8,755,803	7,446,601
Total	<u>\$ 48,987,293</u>	<u>\$ 44,998,342</u>
For Inactive Participants	<u>\$ 7,425,635</u>	<u>\$ 6,350,734</u>
Total Actuarial Liability	<u>\$ 88,537,329</u>	<u>\$ 84,468,429</u>
Net Assets, Book Value (Cost)	<u>37,618,218</u>	<u>35,142,093</u>
Unfunded Actuarial Liability	<u>\$ 50,919,111</u>	<u>\$ 49,326,336</u>

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

Fiscal Year	Aggregate Accrued Liabilities For			Net Real Assets	Percentage of Accrued Liabilities Covered By Net Real Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active and Inactive Participant Contributions	Retirement and Survivor Annuities	Active and Inactive Participants (Employer Financed Portion)				
1983	\$ 4,129,682	\$ 23,637,775	\$ 20,069,286	\$ 20,463,697	100.0%	69.1%	0.0%
1984	4,539,234	25,818,124	22,833,250	21,990,416	100.0%	67.6%	0.0%
1985	4,612,815	27,616,936	26,432,984	23,250,871	100.0%	67.5%	0.0%
1986	5,373,363	30,829,965	30,247,333	26,738,976	100.0%	69.3%	0.0%
1987	6,414,817	36,673,471	17,547,037	29,140,876	100.0%	62.0%	0.0%
1988	6,861,195	37,155,381	20,143,905	30,106,386	100.0%	62.6%	0.0%
1989	7,208,932	34,062,464	21,563,561	31,677,506	100.0%	71.8%	0.0%
1990	8,237,231	41,411,576	28,974,830	33,442,677	100.0%	60.9%	0.0%
1991	8,959,880	44,998,342	30,510,207	35,142,093	100.0%	58.2%	0.0%
1992	10,098,012	48,987,293	29,452,024	37,618,218	100.0%	56.2%	0.0%

ANALYSIS OF FUNDING

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Net Assets	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1983	\$ 47,836,743	\$ 20,463,697	42.8%	\$ 27,373,046	\$ 5,545,500	493.6%
1984	53,190,608	21,990,416	41.3%	31,200,192	5,524,500	564.8%
1985	58,662,735	23,250,871	39.6%	35,411,864	5,985,000	591.7%
1986	66,450,661	26,738,976	40.2%	39,711,685	6,480,500	612.8%
1987	60,635,325	29,140,876	48.1%	31,494,449	6,643,710	474.0%
1988	64,160,481	30,106,386	46.9%	34,054,095	6,873,250	495.5%
1989	62,834,957	31,677,506	50.4%	31,157,451	6,907,676	451.1%
1990	78,623,637	33,442,677	42.5%	45,180,960	7,254,510	622.8%
1991	84,468,429	35,142,093	41.6%	49,326,336	8,238,709	598.7%
1992	88,537,329	37,618,218	42.5%	50,919,111	8,432,000	603.9%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	<u>FY 92</u>	<u>FY 91</u>
Unfunded actuarial liability at Beginning of FY	\$ 49,326,336	\$ 45,180,960
Employer contribution requirement of normal cost plus interest on the unfunded liability	\$ 5,343,893	\$ 5,094,188
Actual employer contribution for the year	<u>1,965,600</u>	<u>2,072,600</u>
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	\$ 3,378,293	\$ 3,021,588
Increase/(Decrease) in unfunded liability due to investment return lower/(greater) than assumed	(1,225,063)	485,821
(Decrease) in unfunded liability due to changes in assumptions	(1,984,777)	
(Decrease) in unfunded liability due to salary increases less than assumed	(994,375)	(1,720,691)
Increase in unfunded liability due to other sources	<u>2,418,697</u>	<u>2,358,658</u>
Total Actuarial (Gains) Losses	\$ (1,785,518)	\$ 1,123,788
Net Increase in unfunded liability for the year	\$ 1,592,775	\$ 4,145,376
Unfunded actuarial liability at End of FY	<u>\$ 50,919,111</u>	<u>\$ 49,326,336</u>

BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Annuitants				Survivors*				Total
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	
1983	169	34	12	191	104	9	4	109	300
1984	191	7	11	187	109	12	4	117	304
1985	187	16	5	198	117	5	3	119	317
1986	198	9	8	199	119	6	2	123	322
1987	199	17	10	206	123	6	3	126	332
1988	206	5	13	198	126	6	6	126	324
1989	198	6	5	199	126	4	4	126	325
1990	199	3	6	196	126	3	5	124	320
1991	196	13	9	200	124	4	3	125	325
1992	200	12	8	204	125	13	7	131	335

*Includes Reversionary annuities

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members			
	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1983	189	\$ 5,545,500	\$ 29,341	1.3%
1984	189	5,524,500	29,230	(0.4%)
1985	190	5,985,000	31,500	7.8%
1986	192	6,480,500	33,753	7.2%
1987	188	6,643,710	35,339	4.7%
1988	185	6,873,250	37,153	5.1%
1989	184	6,907,676	37,542	1.0%
1990	188	7,254,510	38,588	2.8%
1991	195	8,238,709	42,250	9.5%
1992	190	8,432,000	44,379	5.0%

INVESTMENT SECTION

Investment Report

Investment Portfolio Summary

Analysis of Investment Performance

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI Board). The ISBI Board was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state. At the end of the fiscal year, in addition to the assets of the General Assembly Retirement System, the ISBI Board also managed the investment function for the Judges' and State Employees' Retirement Systems. As of June 30, 1992, total net assets under management valued at market, amounted to \$3.866 billion. Of the total assets under management, \$41.0 million or 1.0% represented assets of the General Assembly Retirement System.

Management Approach

The ISBI Board manages the Fund in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI Board has established a long-range investment policy which, in line with the prudent person rule, affirms that the Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the Fund, within prudent risk parameters. Further, it is the ISBI Board's philosophy that the assets owned by the participating systems and managed by the ISBI Board are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries. In line with this philosophy, the ISBI Board from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

Total Fund Results

The Illinois State Board of Investment Commingled Fund (ISBI Fund) had a market value of \$3.866 billion as of the end of its fiscal year, June 30, 1992. The ISBI Fund had an increase in market value of \$362.9 million for the fiscal year, all of which resulted from net appreciation of assets and net realized yield on investments, as the member systems withdrew nearly \$44 million on a net basis during the fiscal year.

The ISBI Fund's total rate of return for fiscal 1992, net of expenses, was 11.6%. Both domestic equity and fixed income portfolios produced strong returns and the Fund's performance in these sectors was superior relative to market indices. Foreign equity market returns were substantially below those in the U.S.; however, ISBI's global and international managers achieved good absolute returns (i.e. when compared to respective benchmarks) in spite of the weak foreign markets. During fiscal 1992, the performance of non-marketable securities lagged that of publicly traded markets, while downward adjustments in real estate values more than offset cash-on-cash yields, resulting in a negative total real estate return.

During fiscal 1992, the ISBI Board completed an extensive review of investment policies, objectives and performance; culminating in the approval of a comprehensive written objectives and strategies plan for the next three years. The Plan sets a long-term average annual investment rate of return objective of 9.0% for the Fund, or a 4.5% rate of return assuming a 4.5% annual inflation rate. The Plan reaffirms the broadly diversified investment strategy that the ISBI Board has pursued for a number of years, with the belief that this approach will, over the long term, maximize return within a prudent level of investment risk.

The Plan establishes long-term target percentages for each asset category, as well as ranges over which actual asset allocation to these categories can deviate from the long-term targets. The Plan also defines market benchmarks and performance objectives for the total ISBI Fund, for each asset class, and for each individual investment manager, as well as procedures for hiring, monitoring, and terminating external managers.

The ISBI Board believes that this Plan will produce higher rates of return at lower levels of risk in future years. One of the many adjustments resulting from the Plan will be a reduction in the number of external managers in order to eliminate redundancy and achieve greater specialization and economies of scale. This reduction also reflects the continued negative net contributions from member systems. As mentioned earlier, net withdrawals for fiscal 1992 were nearly \$44 million, and are estimated to be approximately \$80 million in fiscal 1993.

Fixed Income

Substantially all fixed income assets are managed internally by the ISBI except for approximately \$242 million allocated to external high yield and convertible debt managers. All fixed income markets exhibited strong performance during the fiscal year, with high yield securities producing particularly good results. The ISBI internal

account achieved superior results in both the high yield and the investment-grade corporate portion of the portfolio, and produced a 16.3% rate of return for the fiscal year, over 200 basis points higher than the market benchmark. Good performance from the specialty managers further improved the total fixed income return to 17.1% which was the best return for any asset class for the last fiscal year.

Comparative average annual rates of return for the total fixed income portfolio versus benchmark market indices are set forth below:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
ISBI	17.1%	11.0%	11.3%
Shearson Lehman G/C	14.2%	10.5%	10.2%
Shearson Lehman Aggregate	14.1%	10.8%	10.6%

Equity

The ISBI Board remains committed to the policy of having all equity investments for the ISBI fund externally managed. As of June 30, 1992, funds under management by domestic, global, and international equity managers totaled \$1,434 million, \$233 million, and \$91 million, respectively.

For the fiscal year, the U.S. stock market significantly out performed foreign markets, especially when currency movements are included. Therefore, domestic equity managers had the best absolute results, followed by global and international managers respectively. However, managers in all three categories outperformed their respective market benchmarks for the fiscal year. Domestic equity managers produced a rate of return of 15.2% compared to 13.5% for the S&P 500. Global managers earned an impressive 12.8%, as compared to a 1.3% gain for the Morgan Stanley Capital International World Index (MSCI), and international managers earned 4.2%, as compared to a 0.3% loss for the Morgan Stanley Capital International Index for Europe, Australia and the Far East (EAFE).

Although foreign stock markets have under performed the U.S. stock market in the last several years, the ISBI Board believes that there will be periods when the opposite is true, and that over longer periods of time the ISBI Fund's total rate of return will be improved by this diversification.

The composite average annual rates of return for the total equity portfolio, as compared to the S & P 500, are set forth below:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
ISBI	14.4%	10.6%	8.7%
S&P 500	13.5%	12.4%	9.8%

Real Estate

During fiscal 1992, 1991, and 1990, other than a reclassification of a farmland investment, the ISBI Fund made no new commitments to real estate investments. Although the ISBI Fund received a 5% cash-on-cash real estate return for the fiscal year, the asset category was written down more than 16%, resulting in an aggregate negative rate of return of 11.2%. All of the ISBI Fund's investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments. The allocation according to property type is 31% retail, 24% office, 13% apartment, 6% warehouse and research and development, with the remaining 26% in mixed use, land and miscellaneous.

Average annual returns for the combined real estate portfolio compared to the market benchmark for unleveraged institutional grade property returns are as follows:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
ISBI	(11.2)%	(2.5)%	1.5%
NCREIF	(7.2)%	(1.1)%	2.0%

Non-Marketable Securities

The 7.4% total rate of return for this asset category during fiscal 1992 lagged the publicly traded equity market returns. The portfolio's largest investment is with the Kohlberg Kravis Roberts leverage buyout limited partnership, which accounts for approximately 70% of this category. Although the 3.9% KKR rate of return for fiscal 1992 was

INVESTMENT SECTION

disappointing, the long-term track record is good. The remaining investments in this asset class consist primarily of passive interests the ISBI Fund has in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities.

Average annual returns for additional time periods for this category are set forth below:

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
ISBI	7.4%	12.6%	11.0%

Management Expenses

Total operating expenses, including fees to external managers, for the fiscal year were \$12,525,388, as compared to \$11,486,438 for the previous fiscal year. The expense ratio (expenses divided by assets under management) was .32% as compared to .33% last fiscal year. The General Assembly Retirement System's share of total operating expenses amounted to \$134,248.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1992. A copy of the report can be obtained from the Board at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1992		June 30, 1991	
	<u>Market Value</u>	<u>Percentage</u>	<u>Market Value</u>	<u>Percentage</u>
Fixed Income	\$1,458,154,012	37.7%	\$ 1,375,015,021	39.3%
Equities	1,650,996,186	42.8%	1,473,327,061	42.1%
Real Estate	325,963,498	8.4%	341,066,237	9.7%
Non-Marketable	178,844,300	4.6%	183,670,238	5.2%
Cash equivalents**	251,975,370	6.5%	129,935,529	3.7%
Net assets at market value	<u>\$3,865,933,366*</u>	<u>100.0%</u>	<u>\$ 3,503,014,086*</u>	<u>100.0%</u>
Net assets, at cost	<u>\$3,477,187,528*</u>		<u>\$ 3,153,895,617*</u>	

* These amounts represent the total assets under management of the Illinois State Board of Investment. The assets of the General Assembly Retirement System at market and cost for fiscal year 1992 were \$41,044,777 and \$36,627,373, respectively. For fiscal year 1991 the market and cost values were \$38,386,470 and \$34,440,112, respectively.

** Cash equivalents include other assets less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE

	1992	1991	1990	1989	1988
Total Return* - Past 3 years		8.8%			
Total Return* - Past 5 years			8.7%		
Total Return* - year by year	11.6%	7.0%	8.0%	14.3%	2.8%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	5.4%	5.2%	5.2%	5.5%	5.6%

Comparative rates of return on fixed income securities

Total fixed income - ISBI	17.1%	9.0%	5.9%	12.0%	9.3%
Comparison index:					
Shearson Lehman Government/					
Corporate Bond Index	14.2%	10.2%	7.1%	12.3%	7.5%

Comparative rates of return on equities

Total equities - ISBI	14.4%	7.3%	10.5%	17.0%	(4.6%)
Comparison index:					
S&P 500	13.5%	7.4%	16.4%	20.6%	(6.9%)

* Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

STATISTICAL SECTION

Balance Sheet Assets

Balance Sheet Liabilities and Fund Balance

Revenues by Source

Expenses by Type

Benefit Expenses by Type

Number of Participants

Termination Refunds

Number of Recurring Benefit Payments

Annuitants by Benefit Range (Monthly)

Survivors by Benefit Range (Monthly)

Number on Active Payrolls

***Retirement Annuitants Statistics and
Average Monthly Benefits***

Active Retirees by State

BALANCE SHEET ASSETS

Fiscal Year Ended June 30	Cash	Receivables	Investments at Cost	Fixed Assets Net of Accumulated Depreciation	Total
1983	\$ 855,726	\$ 77,925	\$ 19,550,646	\$ -	\$ 20,484,297
1984	370,721	6,364	21,638,352	-	22,015,437
1985	194,235	60,245	23,015,713	-	23,270,193
1986	511,796	34,252	26,214,899	-	26,760,947
1987	534,782	3,788	28,649,633	627	29,188,830
1988	494,346	19,628	29,620,883	14,596	30,149,453
1989	348,265	76,691	31,290,392	13,532	31,728,880
1990	913,283	14,447	32,549,302	17,723	33,494,755
1991	728,538	15,235	34,440,112	19,082	35,202,967
1992	1,079,624	5,026	36,627,373	16,163	37,728,186

BALANCE SHEET LIABILITIES AND FUND BALANCE

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Automatic Annuity Increase	Reserve for Future Operations	Total
1983	\$ 20,600	\$ 4,129,681	\$ 1,183,439	\$ 15,150,577	\$ 20,484,297
1984	25,021	4,539,234	1,146,005	16,305,177	22,015,437
1985	19,322	4,612,815	1,062,563	17,575,493	23,270,193
1986	21,971	5,373,363	1,009,112	20,356,501	26,760,947
1987	47,954	5,555,017	859,800	22,726,059	29,188,830
1988	43,067	6,177,939	683,256	23,245,191	30,149,453
1989	51,374	6,748,268	460,664	24,468,574	31,728,880
1990	52,078	8,237,231	-	25,205,446	33,494,755
1991	60,874	8,959,880	-	26,182,213	35,202,967
1992	109,968	10,098,012	-	27,520,206	37,728,186

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Income From Investments	Total
		State of Illinois	Other Sources	Total		
1983	\$ 786,705	\$ 2,061,100	\$ 58,181	\$ 2,119,281	\$ 2,877,001	\$ 5,782,987
1984	658,899	1,524,800	-	1,524,800	2,204,477	4,388,176
1985	679,000	2,215,800	2,932	2,218,732	1,516,230	4,413,962
1986	1,059,024	2,216,200	125,212	2,341,412	3,416,960	6,817,396
1987	767,483	2,214,100	213	2,214,313	3,064,668	6,046,464
1988	796,393	1,970,000	-	1,970,000	1,933,098	4,699,491
1989	869,635	1,997,500	-	1,997,500	2,555,317	5,422,452
1990	1,002,258	2,072,600	74,401	2,147,001	2,665,883	5,815,142
1991	1,486,815	2,072,600	275,161	2,347,761	2,170,740	6,005,316
1992	1,375,885	1,965,600	105,410	2,071,010	3,976,419	7,423,314

EXPENSES BY TYPE

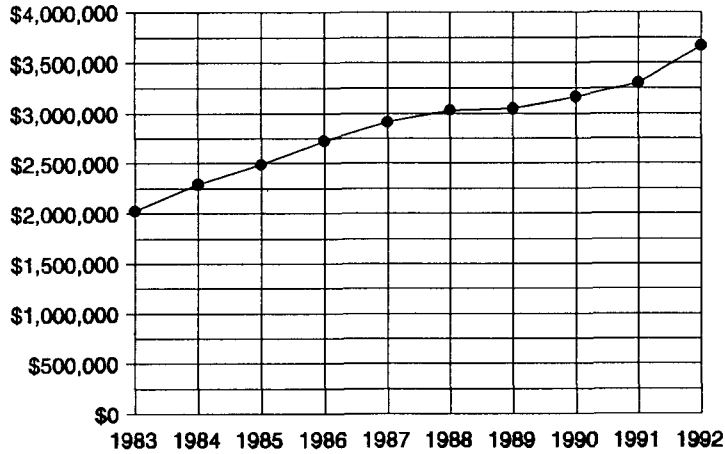
Fiscal Year Ended June 30	Benefits	Refunds	Administrative Expenses	Total
1983	\$ 2,389,904	\$ 185,106	\$ 72,547	\$ 2,647,557
1984	2,712,913	71,902	76,642	2,861,457
1985	2,955,395	118,711	79,401	3,153,507
1986	3,200,212	42,316	86,763	3,329,291
1987	3,461,212	80,202	103,150	3,644,564
1988	3,618,087	16,717	99,177	3,733,981
1989	3,682,411	55,660	113,261	3,851,332
1990	3,880,692	42,427	126,852	4,049,971
1991	4,124,250	36,742	144,908	4,305,900
1992	4,658,134	129,978	159,077	4,947,189

BENEFIT EXPENSES BY TYPE

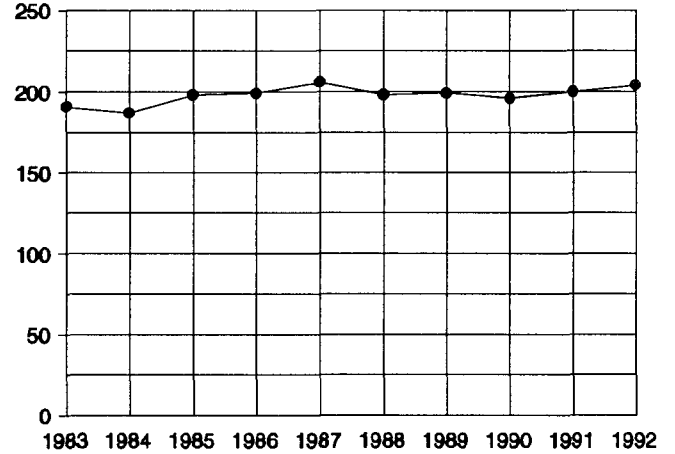
Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1983	\$ 2,024,306	\$ 365,598	\$ 2,389,904
1984	2,295,291	417,622	2,712,913
1985	2,487,319	468,076	2,955,395
1986	2,728,059	472,153	3,200,212
1987	2,913,799	547,413	3,461,212
1988	3,030,995	587,092	3,618,087
1989	3,046,455	635,956	3,682,411
1990	3,163,616	717,076	3,880,692
1991	3,302,545	821,705	4,124,250
1992	3,666,601	991,533	4,658,134

*Includes Reversionary annuities.

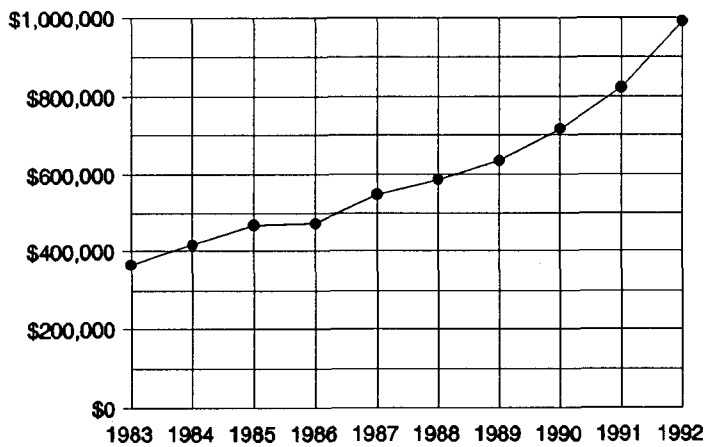
Retirement Annuities



Annuityants

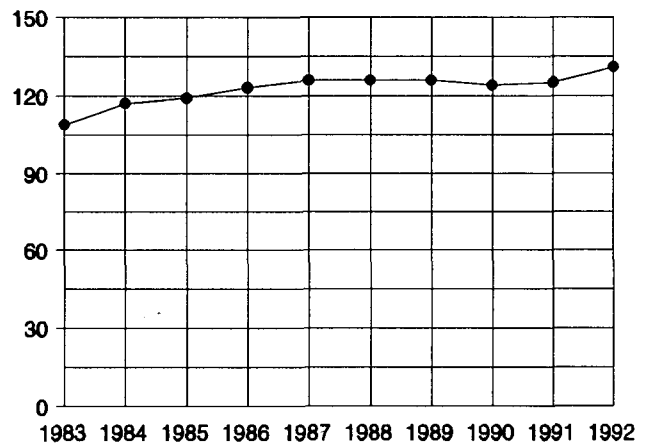


Survivor Annuities*

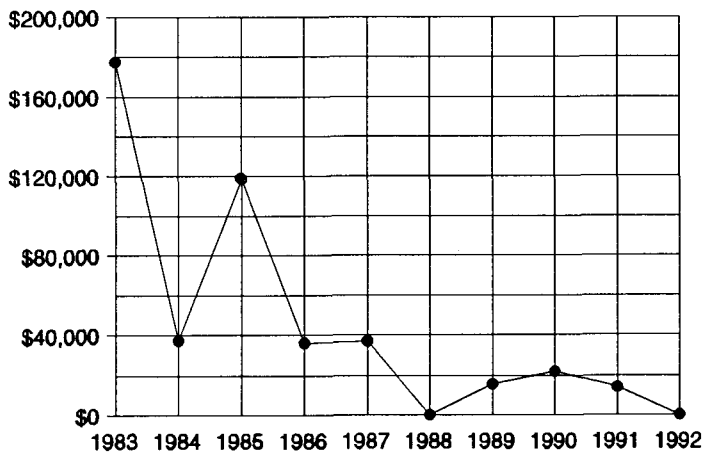


* includes reversionary annuities

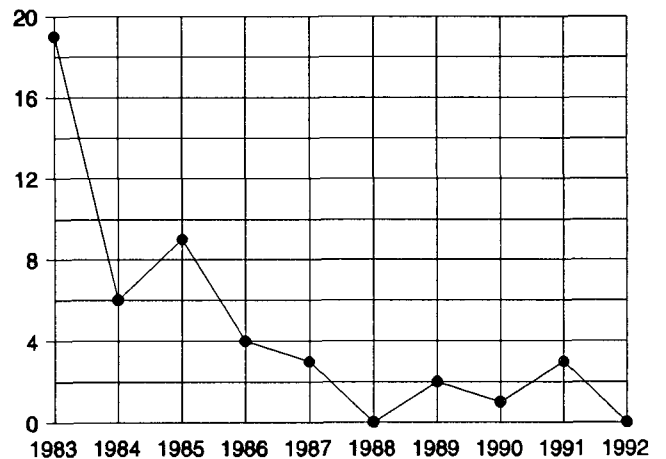
Annuityants



Termination Refunds



Number of Refunds



NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1983	189	105	294
1984	189	98	287
1985	190	92	282
1986	192	81	273
1987	188	86	274
1988	185	83	268
1989	184	86	270
1990	188	81	269
1991	195	79	274
1992	190	77	267

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1983	19	\$ 177,273
1984	6	37,363
1985	9	118,711
1986	4	36,171
1987	3	36,994
1988	-	-
1989	2	15,475
1990	1	21,890
1991	3	13,980
1992	-	-

NUMBER OF RECURRING BENEFIT PAYMENTS

at June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1983	191	107	2	300
1984	187	115	2	304
1985	198	116	3	317
1986	199	120	3	322
1987	206	123	3	332
1988	198	123	3	324
1989	199	123	3	325
1990	196	121	3	320
1991	200	122	3	325
1992	204	128	3	335

Annuitants
by Benefit Range
(Monthly)
June 30, 1992

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
\$ 1-500	49	49	24.0	24.0
501-1000	34	83	16.7	40.7
1001-1500	27	110	13.2	53.9
1501-2000	32	142	15.7	69.6
2001-2500	28	170	13.7	83.3
2501-3000	14	184	6.9	90.2
3001-3500	9	193	4.4	94.6
3501-4000	3	196	1.5	96.1
4001-4500	4	200	1.9	98.0
4501-5000	1	201	0.5	98.5
5001-5500	1	202	0.5	99.0
5501-6000	0	202	0.0	99.0
6001-6500	1	203	0.5	99.5
6501-7000	1	204	0.5	100.0

Survivors*
by Benefit Range
(Monthly)
June 30, 1992

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
\$ 1-500	75	75	57.2	57.2
501-1000	25	100	19.1	76.3
1001-1500	23	123	17.6	93.9
1501-2000	8	131	6.1	100.0

* includes reversionary annuities

NUMBER ON ACTIVE PAYROLLS

at June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1983	6	117	59	7	189
1984	6	117	59	7	189
1985	6	116	59	9	190
1986	6	116	59	11	192
1987	6	116	59	7	188
1988	6	116	59	4	185
1989	6	115	59	4	184
1990	6	118	59	5	188
1991	6	118	59	12	195
1992	6	118	59	7	190

RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

Fiscal Year Ended June 30	At Retirement			Average Current Monthly Benefit
	Average Age	Average Length of Service *	Average Current Age	
1983	61.6	14.8	68.5	1,002
1984	61.4	14.8	68.8	1,040
1985	61.2	14.8	69.0	1,119
1986	61.1	14.5	69.3	1,152
1987	61.0	14.3	69.3	1,216
1988	60.6	14.2	69.5	1,252
1989	60.3	13.9	69.9	1,298
1990	60.1	13.5	70.3	1,359
1991	60.1	13.0	70.5	1,449
1992	60.0	12.7	70.5	1,526

* in years

ACTIVE RETIREES BY STATE



PLAN SUMMARY AND LEGISLATIVE SECTION

Plan Summary

Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN**(As of June 30, 1992)****1. PURPOSE**

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the cost of the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	<u>11.5%</u>

5. RETIREMENT ANNUITY**A. Qualification of Participant**

Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least 8 years of credit or at age 62 with at least 4 years of credit.

B. Amount of Annuity

Effective January 1, 1982, the retirement annuity is determined according to the following formula based on the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service in excess of 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment

Reversionary Annuity - A participant may elect to receive a reduced annuity during his or her lifetime in

order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity

Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year next following the first anniversary of retirement and in January or July of each year thereafter. For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 next following the date upon which the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until the January 1 or the July 1 next following the first anniversary of retirement.

E. Suspension of Retirement Annuity

An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor

If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 8 years of credit. To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children of the participant who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment

If the participant's death occurs while in service, the surviving spouse without eligible children of the member would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children of the participant would receive 30% of salary increased 10% of salary for each minor child, subject to a maximum of 50% of salary to a family.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children of the participant would be eligible to 66-2/3% of earned retirement annuity. A surviving spouse with eligible children would receive 75% of earned retirement annuity unless the participant is survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be \$300 per month.

C. Duration of Payment

When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age. A surviving spouse who remarries prior to attainment of age 55 would be disqualified for any future benefit payments.

D. Annual Increases in Survivors' Annuity

Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on

or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity. In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement

If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement

If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

C. Death of Survivor Annuitant

Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

If unmarried at retirement, a participant is entitled to a full refund of contributions for survivors' annuity. The refund may be repaid, with required interest, to qualify a spouse for survivors' benefits if the participant marries after retirement.

LEGISLATIVE AMENDMENTS

Amendments with an effective date during fiscal year 1992 having an impact on the System were:

HOUSE BILL 971 (P.A. 87-0794)

1. Changes the definition of military service by removing the requirement that allowed such service only during periods of war by a person who entered such service while a member of the General Assembly.
2. Provides that a participant may apply for creditable service for up to two years of military service that need not have immediately followed service as a member, and need not have been served during wartime. However, to receive credit for this military service, the applicant must make contributions to the System in the amount of (1) employee contributions based upon the member's rate of compensation on the last date as a participant prior to such military service, or on the first date as a participant after such military service, whichever is greater, plus (2) an amount equal to the employer's normal cost of the benefits accrued for such military service, plus (3) interest on items (1) and (2) from the date of conclusion of the military service to the date of payment.
3. Allows former members, who are not yet annuitants, to establish full credit in the System upon (1) transferring to the System any such credit as a participating employee under retirement systems defined in Articles 3 through 18 of the Illinois Pension Code, if permitted by the credit transfer provisions of the applicable Article and (2) making the prescribed payment to the System.
4. Allows for full credit in the System upon transfer of any such credit from retirement systems defined in Articles 3 through 18 of the Illinois Pension Code upon making the required payment to the System excluding the payment for the employer's normal cost of the benefits provided that such application to transfer is made between January 1, 1992 and February 1, 1993.
5. Provides that, service as an elected official in any county, township or municipality which cannot be established under Article 7 of the Illinois Pension Code may be established in the System upon making the required payment to the System excluding the payment for the employer's normal cost of the benefits provided that application to establish such service is made between January 1, 1992 and April 1, 1992.
6. Provides that any member or former member who receives any age enhancement under the State Employees' Retirement System's early retirement incentive shall be entitled to use such age enhancement under the Retirement Systems Reciprocal Act for the purpose of establishing eligibility for and calculating the amount of a retirement annuity payable from the System.
7. Provides that, prior to June 1, 1992, any former member of the General Assembly having at least 4 years of credited service in the General Assembly Retirement System, shall have the option to elect to continue participation in the System for up to 4 additional years while actively employed in a position covered by one of the retirement systems established under Articles 5 through 18 of the Illinois Pension Code provided that, at the time of making the election, such member earns an amount at least equal to the minimum salary provided by law for members of the General Assembly.
8. Provides a 3% automatic increase in pension benefits for annuitants age 60 or older who have not received an initial increase but would have been eligible for the increase on July 1 and establishes their increase date as July 1 in subsequent years.
9. Provides that, beginning January 1, 1992, a child's annuity is payable to an unmarried child of a deceased annuitant or participant so long as the child is under age 22 and a full-time student.

SENATE BILL 1949 (P.A. 87-0925)

Changed the state's Unclaimed Property Act to provide for a holding period of five instead of seven years. This will result in the availability of an additional \$50 million which will be divided among the five state financed retirement systems during FY93. As a result of this legislation, the System should receive an additional \$205,000.

HOUSE BILL 3230 (P.A. 87-0923)

Provides for a continuing appropriation of funds due the five state financed retirement systems from unclaimed property receipts. This legislation has the effect of making the annual appropriation of these funds automatic, not requiring specific action of the General Assembly. While the normal level of financing from unclaimed property is small, enactment of this legislation establishes a very positive precedent.

NEW LEGISLATION

There was no new legislation with effective dates subsequent to June 30, 1992, affecting the operation of the System.